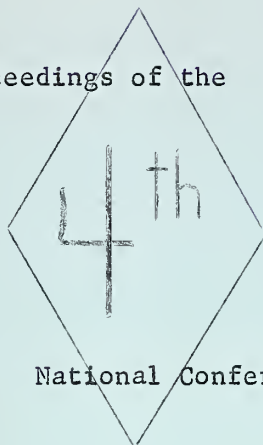


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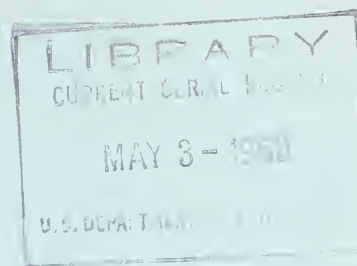
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Proceedings of the



National Conference on



FRUIT AND VEGETABLE BARGAINING COOPERATIVES

Biltmore Hotel

Atlanta, Ga.

January 4, 1960

United States Department of Agriculture

Farmer Cooperative Service

Washington 25, D. C.

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PROCEEDINGS OF THE
FOURTH NATIONAL CONFERENCE ON
FRUIT AND VEGETABLE BARGAINING COOPERATIVES

This is a report of the Fourth National Conference on Fruit and Vegetable Bargaining Cooperatives, held at the Atlanta Biltmore Hotel, Atlanta, Ga., on January 4, 1960.

As with the earlier conferences in Chicago, Houston, and New Orleans, the purpose was to provide a forum to discuss mutual problems and to encourage exchange of ideas to help bargaining cooperatives more effectively meet growers' needs. Major topics dealt with determining realistic prices and contributions to improved marketing.

Again at the request of various fruit and vegetable bargaining cooperatives, the conference was arranged and conducted by the Farmer Cooperative Service, U. S. Department of Agriculture.

Attendance was the largest of any of the conferences to date, with a total of 81 persons participating. This included 29 persons representing 12 fruit and vegetable bargaining cooperatives; 21 from 14 other cooperatives; 7 from 5 land-grant colleges; 11 from 3 Farm Bureau organizations; 2 State councils of cooperatives and 2 national cooperative organizations; 7 from the U. S. Department of Agriculture; and 6 others.

These proceedings include speeches made at the conference; a list of participants; resolutions adopted at the close of the conference; a list of fruit and vegetable bargaining cooperatives as of January 1, 1960; and a selected bibliography on this type cooperative.

The views expressed are those of the participants and are not necessarily those of the Farmer Cooperative Service.

Additional copies of these proceedings - in limited quantities - may be obtained from the Fruit and Vegetable Branch, Farmer Cooperative Service, U. S. Department of Agriculture, Washington 25, D. C.

PROGRAM

9:00 a.m. - 12 noon

MORNING SESSION

Room 1016

Chairman Joseph G. Knapp, Administrator,
Farmer Cooperative Service,
U. S. Department of Agriculture.

Words of welcome Homer L. Brinkley, Executive Vice President,
National Council of Farmer Cooperatives,
Washington, D. C.

Topic: Determining a Realistic Price for Negotiations

The collection and analysis of economic and marketing information
for effective negotiation

Franklin H. Graf, Executive Vice President,
A. C. Nielsen Company,
Chicago, Ill.

Discussion

The human factor in price negotiation

M. E. John, Head, Department of Agricultural
Economics and Rural Sociology,
Pennsylvania State University,
University Park.

Discussion

Negotiating a realistic price: Our experience last year	
Berkley I. Freeman, Manager, Great Lakes Cherry Producers Marketing Cooperative, Grand Rapids, Mich.	Alan C. Jensen, Manager, California Tomato Growers Association, Stockton.

Discussion

Improving the climate for price negotiation

Ralph B. Bunje, General Manager,
California Canning Peach Association,
San Francisco.

Discussion

12 noon - 2:00 p.m.

LUNCHEON SESSION

Room 1015

Chairman Joseph G. Knapp, Administrator,
Farmer Cooperative Service,
U. S. Department of Agriculture.

The American Farm Bureau Federation's plans for aiding growers through bargaining cooperatives

Kenneth Hood, Assistant Secretary and Director,
Commodity Division,
American Farm Bureau Federation, Chicago, Ill.

Discussion

2:00 p.m. - 5:00 p.m.

AFTERNOON SESSION

Room 1016

Chairman J. Kenneth Samuels, Director,
Marketing Division,
Farmer Cooperative Service,
U. S. Department of Agriculture.

Topic: How Bargaining Cooperatives Can Contribute to Improved Marketing

Cooperative bargaining associations and Federal marketing orders
S. R. Smith, Director,
Fruit and Vegetable Division,
Agricultural Marketing Service,
U. S. Department of Agriculture.

Discussion

A processor's view of bargaining associations
A. C. Moll, Manager,
Agriculture Division, Stokely-Van Camp, Inc.,
Indianapolis, Ind.

Discussion

The role of bargaining cooperatives and processing cooperatives in efficient marketing
W. J. Klotzbach, General Manager,
Cherry Growers, Inc.,
Traverse City, Mich.

Discussion

Possibilities and problems of improved marketing through bargaining cooperatives
Wendell McMillan, Marketing Division,
Farmer Cooperative Service,
U. S. Department of Agriculture.

Discussion

Summary of the Conference

Joseph G. Knapp, Administrator,
Farmer Cooperative Service,
U. S. Department of Agriculture.

PERSONS ATTENDING THE CONFERENCE

Howard Baker	Director, Western New York Apple Growers Association, Ransomville.
George B. Blair	President, National Council of Farmer Cooperatives, Washington, D. C.
Homer L. Brinkley	Executive Vice-President, National Council of Farmer Cooperatives, Washington, D. C.
H. F. Briske	Director, Great Lakes Cherry Producers Marketing Cooperative, Grand Rapids, Mich.
Rodney Bull	Director, Great Lakes Cherry Producers Marketing Cooperative, Grand Rapids, Mich.
Ralph B. Bunje	Manager, California Canning Peach Association, San Francisco.
Dick Carlson	President, Blue Goose, Inc., Los Angeles, Calif.
W. C. Carter	Associate Agricultural Economist, Extension Service, University of Georgia, Athens.
Leroy Childs	President, Apple Growers Association, Hood River, Oreg.
Robert E. Collins	Vice-President, California Canning Pear Association, San Francisco.
J. Ward Cooper	Coordinator, Commodity Relations Department, Michigan Farm Bureau, Lansing.
Ralph M. Cooper	Assistant Executive Secretary, Wisconsin Council of Agricultural Cooperatives, Madison.
D. E. Copple	President, Northwest Wholesale, Inc., Wenatchee, Wash.
George H. Crum	President, California Freestone Peach Association, Winters.
Curtis Drake	Director, Great Lakes Cherry Producers Marketing Cooperative, Hartford, Mich.
E. M. Faye	President, Sunsweet Growers, Inc., San Jose, Calif.
Dick Ferrell	Poultrymens Cooperative Association, Pomona, Calif.
R. M. Frederick	Executive Secretary, Vegetable Growers Association of America, Washington, D. C.
Berkley I. Freeman	Secretary-Manager, Great Lakes Cherry Producers Marketing Cooperative, Grand Rapids, Mich.
Kelsey B. Gardner	Director, Management Services Division, Farmer Cooperative Service, U. S. Department of Agriculture, Washington, D. C.
Truman O. Garinger	Poultrymens Cooperative Association, Riverside, Calif.
Claude W. Gifford	Associate Editor, <u>Farm Journal</u> , Philadelphia, Pa.
Cameron Girton	Manager, California Canning Pear Association, San Francisco.
Franklin H. Graf	Executive Vice-President, A. C. Nielsen Co. Chicago, Ill.

Roy W. Green	Assistant Agricultural Economist, University of Georgia, Athens.
John Handy	President, Great Lakes Cherry Producers Marketing Cooperative, Sodus, Mich.
Ross A. Heminger	Director, Northwest Wholesale, Inc. Wenatchee, Wash.
Gerald L. Hiller	Manager, Producers Livestock Association, Columbus, Ohio.
C. K. Hobbie	Manager, Marketing Division, Cooperative GLF Exchange, Ithaca, N. Y.
Kenneth Hood	Assistant Secretary and Director, Commodity Division, American Farm Bureau Federation, Chicago, Ill.
James T. Hopkins	Director, Industrial Relations, Florida Citrus Exchange, Tampa.
Lyman S. Hulbert	Attorney, American Institute of Cooperation, Washington, D. C.
Alan C. Jensen	Manager, California Tomato Growers Association, Stockton.
M. E. John	Head, Department of Agricultural Economics and Rural Sociology, Pennsylvania State University, University Park.
A. W. Jones	Extension Marketing Specialist, Auburn University, Auburn, Ala.
S. E. Keech	Manager, National Grape Cooperative Association, Westfield, N. Y.
Edward E. Kern	Associate Professor of Agricultural Economics, Auburn University, Auburn, Ala.
R. S. Kill	Director, Great Lakes Cherry Producers Marketing Cooperative, Lockport, N. Y.
G. Byron Kirby	Partner, Peat, Marwick, Mitchell and Co., Louisville, Ky.
Winton J. Klotzbach	General Manager, Cherry Growers, Inc., Traverse City, Mich.
Joseph G. Knapp	Administrator, Farmer Cooperative Service, U. S. Department of Agriculture, Washington, D.C.
John T. Lesley	General Manager, Florida Citrus Exchange, Tampa.
W. F. Lomasney	Associate Professor, Extension Service, University of Illinois, Chicago, Ill.
William M. Lott	President, Pennsylvania Fruit Marketers Cooperative, Gardners.
Bruce D. Lyon	Treasurer, Great Lakes Cherry Producers Marketing Cooperative, Traverse City, Mich.
W. M. Malin	New York State Canners and Freezers Association, Oakfield.
A. W. Matthews	Secretary-Manager, Cannery Growers, Inc., Maumee, Ohio

R. R. Mauser	Manager, California Cannery and Growers, San Francisco.
Wendell M. McMillan	Marketing Division, Farmer Cooperative Service, U. S. Department of Agriculture, Washington, D. C.
Raymond J. Mischler	Attorney, Office of the General Counsel, U. S. Department of Agriculture, Washington, D. C.
Paul O. Mohn	Chief, Marketing Firm Management Branch, Federal Extension Service, U. S. Department of Agriculture, Washington, D. C.
Alvin C. Moll	Manager, Agricultural Division, Stokely-Van Camp, Inc., Indianapolis, Ind.
Carl R. Nelson	Director, Great Lakes Cherry Producers Marketing Cooperative, Traverse City, Mich.
Mitchell Paradis	Director, Great Lakes Cherry Producers Marketing Cooperative, Grand Rapids, Mich.
Alfred J. Pero	Director, Great Lakes Cherry Producers Marketing Cooperative, North East, Pa.
Don H. Phipps	Secretary-Manager, Northwest Wholesale, Inc., Wenatchee, Wash.
Russell Rathbone	Assistant General Manager, Washington Cooperative Farmers Association, Seattle.
A. I. Reisz	Manager, Ohio Valley Soybean Cooperative, Henderson, Ky.
Lewis P. Rider	Director, Great Lakes Cherry Producers Marketing Cooperative, Hart, Mich.
J. Kenneth Robinson	President, Eastern Fruit Marketers Cooperative, Winchester, Va.
Skuli Rutford	Chairman, Board of Trustees, American Institute of Cooperation, St. Paul, Minn.
Carl F. Salomon	Commodity Department, Indiana Farm Bureau, Ft. Wayne.
J. K. Samuels	Director, Marketing Division, Farmer Cooperative Service, U. S. Department of Agriculture, Washington, D. C.
Lloyd Scarlett	California Cannery and Growers, Suisun City.
Vic Schulte	Director, Cannery Growers, Inc., Maumee, Ohio
Harry Schuyler	Director, Great Lakes Cherry Producers Marketing Cooperative, Fish Creek, Mich.
Claud L. Scroggs	Director of Economics Research, Southern States Cooperative, Richmond, Va.
Alvah W. Severson	Chief, Bureau of Market News and Cooperatives, New Jersey Department of Agriculture, Trenton.
S. R. Smith	Director, Fruit and Vegetable Division, Agricultural Marketing Service, U. S. Department of Agriculture, Washington, D. C.
J. D. Smullin, Jr.	Director, Apple Growers Association, Hood River, Oreg.
Rolland C. Starn	Director, California Canning Peach Association, Hughson.

J. Kenneth Stern	President, American Institute of Cooperation, Washington, D. C.
Milo K. Swanton	Executive-Secretary, Wisconsin Council of Agricultural Cooperatives, Madison, Wis.
Charles J. Telford	Manager, California Freestone Peach Association, Modesto.
Jack C. Thompson	Associate Professor of Agricultural Economics, University of Georgia, Athens.
Clifford E. Toennies	Western New York Apple Growers Association, Lockport.
Gerald H. Trautman	Attorney, California Canning Peach Association, San Francisco.
Ralph W. Tyson	Secretary, Pennsylvania Fruit Marketers Cooperative, Gardners.
Rodney A. Vertrees	California Cannery and Growers, Rio Oso.
John P. Wetzel	President, California Tomato Growers Association, Stockton.
A. H. Whitmore	Florida Council of Farmer Cooperative, Orlando.

OPENING STATEMENT

Joseph G. Knapp, Administrator
Farmer Cooperative Service, U.S. Department of Agriculture,
Washington, D.C.

I am pleased to again meet with you for another National Conference on Fruit and Vegetable Bargaining Cooperatives.

Our past three conferences have provided a forum for the discussion of mutual problems and the exchange of ideas. In this meeting we will examine the role and development of the bargaining type cooperative in an expanding and changing economy.

Our program indicates that we have important ideas and problems to discuss -- as well as outstanding speakers. The fine attendance here today points to a session which can make a real contribution toward marketing improvements.

This conference in Atlanta, like our previous meetings, is held at the request of the various fruit and vegetable bargaining cooperatives. Our program, too, has again been developed with the full cooperation with these groups. We appreciate the opportunity you have given us to help plan and arrange this meeting. This enables us to strengthen our work with farmer bargaining cooperatives by a frank interchange of views on needs and problems.

WORDS OF WELCOME

Homer L. Brinkley, Executive Vice President
National Council of Farmer Cooperatives
Washington, D. C.

It is a genuine pleasure, indeed, to welcome you to the fourth annual National Conference on Fruit and Vegetable Bargaining Cooperatives. We are pleased that you have elected to hold each of these conferences immediately prior to the annual meeting of the National Council of Farmer Cooperatives.

Farmers and their cooperatives - both marketing and purchasing - of necessity exist and must operate today in an economy characterized by bigness and concentration of economic power - in industry, in labor, in finance, in Government, and even in agricultural production itself. This concentration is being felt increasingly in the entire complex process of producing, handling, and distributing agricultural products. If farmers are to survive, it is imperative that they devise ways and means of increasing their own bargaining power to the degree that they can deal on relatively equal terms in the market place.

There have been many approaches attempted at solving the problem of the imbalance of bargaining power in agriculture since World War II, and the only ones which have not created more problems than they have solved have been those in which producers themselves assumed a major share of the responsibility for financing and operating their own business - including the marketing of the products they produce.

The only mechanisms the individual producer can utilize for increasing his bargaining power are the cooperatives he and his fellow-farmers own and operate. And, the bargaining cooperative, of course, is a very vital part of this mechanism. The importance the Council attaches to fruit and vegetable bargaining cooperatives is evidenced by our establishing a few years ago a Division in the Council for organizations of this type.

With prices of many farm commodities going down while prices of production items continue to increase, the price-cost squeeze, with which agriculture has been plagued for several years, becomes even more intense. As a result, many farmer cooperative members are putting their organizations to more critical tests. To help our members find some of the answers to the problems we face is the reason we chose "Essential Ingredients of Farmer Bargaining Power" for the theme of our 1960 meeting.

You have our sincere wishes for a most successful session and I extend you a most cordial welcome to remain in Atlanta for the General Sessions of our own meeting during the next few days.

(Mr. George B. Blair, President of the National Council of Farmer Cooperatives, also extended his greeting to the conference.)

THE COLLECTION AND ANALYSIS OF ECONOMIC AND
MARKETING INFORMATION FOR EFFECTIVE NEGOTIATION

Franklin H. Graf, Executive Vice President
A. C. Nielsen Company
Chicago, Ill.

I have been asked to comment today on the collection and analysis of marketing information as it may affect your bargaining position. I am happy to try, but I must confess I've had a tough time deciding how and where to begin.

The problem is complicated by the fact that there are sources of marketing information almost too numerous to mention. At the latest count there were over 200 professional marketing research firms in the country who advertised willingness to furnish various and sundry kinds of information for a fee. And there are literally hundreds of other sources, including Government agencies, trade associations, consulting firms, advertising agencies, management engineers, periodicals, business groups, and others who give or frequently publish information of a nature that is occasionally of use.

Most of you are familiar with some of these public sources. I doubt, however, that many appreciate the full scope of information oftentimes made available. Almost any conceivable statistic on population, births or deaths, employment, income, savings, consumer prices, gross national product, household and family counts by geographic regions, cost of living, or retail sales trends are offered at very nominal prices.

Other information dealing with consumption rates and trends by commodities such as the excellent studies published by the Department of Agriculture or the supplementary detail released approximately once a year by various trade journals is certainly worthy of your consideration. And of considerable importance, too, on occasion are the hundreds of trade association or periodical releases which provide intelligence on the kinds or types of retail outlets in demand, that is, supermarkets versus independents, or shopping centers versus downtown locations, and so forth, trade practices which may favorably or adversely affect any particular commodity, and the innumerable other developments which inevitably affect the total marketing mix.

On this basis, I think you will agree that it's possible to have made available almost any kind of information relative to marketing which you might conceivably use. Some of this information is free. Some, as I have already indicated, is at very low cost. None, including anything you may find it necessary to buy from professional research people, is or should be expensive in relation to the scope of the problem involved. Except in extreme cases good marketing data on any product or products sold in quantity at retail should cost less than 1 percent of the value of the product being studied.

Considering this availability and this cost, it seems to me the problem can be narrowed for purposes of this talk to one of attempting to whittle out some kind of yardstick against which to evaluate these possibilities. In other words, the problem is not one of "what's available" but rather one of "what do you want and how can it best be used."

Certainly you will agree that in such a mountain of marketing material there must be many things of real value. Whether you are a producer, processor, or marketer, you should benefit from a proper analysis and interpretation of the facts. The principal problem is finding the relatively few pieces of information out of the thousands available which will contribute directly to your specific situation. Almost invariably there is no possibility of securing something which is fully predigested. Rather, there is the continuing task of sorting and electing an almost continuous stream of possibilities which will insure the washing away of huge quantities of chaff to find the few grains of truth which you seek.

Of prime importance in this question of gathering and analyzing marketing information is the realization that you must accept the full responsibility for seeing to it that the job is properly done. Some part of it you must do yourself. Some can be farmed out, as you wish, to outside organizations. In either event, however, a lot of work is involved. Failing this, you come to the bargaining table unprepared to hold your own with those who are more serious and more fully dedicated.

Because of your varied interests, it is difficult to anticipate the exact things you may need in any particular situation. A local producing group will want one thing; a national producer, processor, marketer, such as Sunkist Growers, Inc., or Diamond Walnut Growers, Inc., will want something substantially broader and different. In either case, however, information of whatever type needed should conform with four basic principles.

First, information must be accurate. This sounds a bit elementary, but it is surprising how frequently decisions are based on data which are questionable at best. For some reason, we all tend to accept at face value any figure which has been published regardless of source. This, plus the fact that frequent reference to or repetition of any statistic establishes a credence which leads to unusual decisions.

As an example, in the past 2 weeks I've been assured by people quoting a supposedly competent authority that it costs \$63 an acre to produce corn, and that it cost \$75 a acre to produce corn; that the price of feeder cattle is going up, that it is going down.

A recent discussion concerning one of our principal vegetable products was in this same vein. Several major producers in executive session were trying to decide why the price in the season just past was, as they said, "below production costs." Each, quoting a friend, a periodical, or some other source, had a somewhat different view of the

situation. Comments ranged from over-production, to lack of distribution, to excessive canner-retailer profits, to criticism of another producing area. Each thought may have been valid, but no one knew for sure, with the result that the view most forcefully and clearly presented prevailed.

I might emphasize the importance of accuracy of information in another manner. During our work on rationing with OPA at the time of World War II, it became clearly evident after only a few months of activity that the difference between over-abundance and scarcity was unbelievably small. A swing in either direction of a few percentage points in supply or demand caused untold problems in attempting to re-establish balance. Since that time, we have repeatedly seen evidence of similar situations. This being true, it is obvious that the information used in any bargaining session must be sufficiently accurate to avoid misleading conclusions.

Secondly, information should be complete. At the risk of seeming critical when I'm trying to be helpful, I would suggest that farmer co-ops may err in this respect more than in many others. This observation is based on discussions over the years with several groups who, on not infrequent occasions, have insisted that all they need to insure a strong bargaining position is a single piece of information.

I can perhaps illustrate this best by mentioning a desire on the part of some for only year-end stock positions. Such a figure is, of course, essential in building a bargaining position, but it is merely one piece of information in a total study, which by itself is of limited value. Contrarily, this figure, when analyzed in the light of previous and current production, prior and estimated current consumption, and all consumption-influencing characteristics, such as retail price, scheduled promotions, and other merchandising activities for the commodity in question and matching information for all directly competing commodities, can be of unlimited value in establishing an economically defensible position.

Thirdly, information should be of a moving rather than a static nature. Other things being equal, chronological comparisons add greatly to the value of any available information. It is of limited importance to know, for example, that population is 175 million persons at a given moment without knowing that it was 150 million persons earlier, or that it is increasing at the rate of something over 3 million persons per year.

Similarly, any inventory, or production, or consumption, or price figure is of itself of marginal usage as compared with a trend comparison which permits the establishment of relative relationships.

Finally, is the need for experienced analysis and interpretation of data. In the usage of any information it is imperative that someone who understands the background and the limitations of material being used is on hand to clearly interpret findings in the light of the current situation.

All too frequently there seems to be an attempt in the competitive business struggle which prevails today to substitute figures for executive judgment. This, despite the best information in the world, is a poor buy for anyone. Whatever is accumulated should be used as evidence, which evidence, when accurate and complete and chronologically relatable and properly analyzed, provides the basis for a full integration of sound facts with the knowledge and experience of the user. Such a combination of information and experience permits reaching actionable decisions more frequently than would otherwise be true -- decisions which will contribute to profit improvement.

So much for the availability of data -- the major tests of practicability. Of equal importance is the question of usage of information once it has been discovered and not found wanting. Of great importance, of course, is the development of a factual position which is so well documented and supported with economic facts that you achieve desired results at the bargaining table. This usage, important as it may be, however, is only one of the many in a complete utilization program.

Equal effort should be devoted to keeping co-op memberships fully informed of all pertinent marketing developments. Since your Board of Directors, or whatever your executive group is called, has the responsibility of officially representing members at bargaining sessions, it would seem there must be an equal responsibility to report back to memberships any and all developments regarding market potentials, possibilities, or changes which might directly or indirectly affect the membership.

Finally, there are the infrequent but on occasion important uses which can be made of good and fully-accepted marketing information. These are hard to predict depending on your situation at any given time. Among them, based on experience of the recent past, may be the need to answer questions pertaining to advertising or promotion, a strike, an export situation, a competitive development in a related or semi-related field, a new trade practice, etc.

This talk has implied that you men may be missing an opportunity if you fail to acquire and effectively use a knowledge concerning all aspects of the production-marketing area which is at least equal to that acquired by your counterparts across the table. Based on the steadily increasing competition as between producers and marketers and the profit squeeze which inevitably occurs in such a climate, I believe you may agree. If you do, there will be no doubt, based on past accomplishments, that you will succeed.

THE HUMAN FACTOR IN PRICE NEGOTIATION

M. E. John, Head
Department of Agricultural Economics and Rural Sociology
Pennsylvania State University
University Park

For the act of bargaining to take place, there must be a potential seller and a potential buyer. The goal of the seller is to dispose of his supply at the highest possible price, and the goal of the buyer is to purchase the volume desired at the lowest possible price. The goals of each are complimentary in that the exchange of the goods from one to the other makes both happy, but the goals are also in conflict in that one party wants a high price and the other party a low price. It is in establishing the price that the act of bargaining takes place.

In this process frequently the parties differ in their bargaining power. If the seller controls a large enough portion of the volume to be sold that buyers cannot obtain a sufficient quantity for their needs without dealing with him, his bargaining power is high. If a buyer has access to a volume sufficient to meet his needs without being dependent upon the volume controlled by any one seller, his bargaining power is high. The position of both buyers and sellers is also influenced by the relationship of the supply of the commodity to its demand.

As soon as buyers and sellers recognize that one group has an advantage over the other, the difference in power is increased, for the one in the most advantageous position knows that the other must accept a price nearer his interest.

The bargaining process itself has several elements. The seller attempts to convince the potential buyer that the commodity has the quality characteristics desired by the potential buyer, that both the quality and price are as good as that offered by competing sellers, and that the price is low in relationship to (1) what it has been in the past and (2) in relationship to the price of competing goods.

The buyer, in turn, is quick to point out to the seller any defects in quality, lower prices offered by competitors, the highness of the price in light of the past, and the possibility of substituting other commodities that can be purchased elsewhere at lower cost.

I would like to devote the remainder of my time to the consideration of the elements of the bargaining process outlined above. Let us first consider the seller. In the process of bargaining, the seller plays the more aggressive role. He delivers the sales pitch and sets the price (unless administratively set). In order for the seller to operate to his greatest advantage, he must know what the buyer wants in quality. This enables him to prepare by grading, packaging, and

sometimes, processing his product to please the buyer. He must also know what the buyer uses as symbol of quality. Is it a particular size, is it color, texture, or uniformity? This knowledge makes it possible for him to point out the characteristics most appealing to the potential buyer. In this sales pitch, the comments must be subtle, few, and to the point. The seller will also reflect quality by the way he handles the product. Care in handling symbolizes quality. Also it is important to use words that carry favorable meaning to the buyer.

The seller, in establishing the price, must bear in mind that the buyer responds to the price stated from three frames of references -- first, the price of goods of equal quality available from competitors; second, the price of substitutable goods; and third, the price of the goods of the same quality in months past. The emphasis placed on each is determined by circumstance. If the potential buyer is aware that the goods can be bought from other sellers at a lower price, then the price of substituting goods or past price is of little importance.

NEGOTIATING A REALISTIC PRICE: OUR EXPERIENCE LAST YEAR

Berkley I. Freeman, Manager
Great Lakes Cherry Producers Marketing Cooperative
Grand Rapids, Mich.

It is significant that the Farmer Cooperative Service entitled this part of the program "Negotiating a Realistic Price." It could have been "Establishing the Economic Value of Cherries" or "Finding the Right Price" or "Strengthening the Cherry Market Through Bargaining." But Mr. Knapp knew what he was doing when he said "realistic price." All of the suggested titles are based on theoretical concepts that can never be proven and must always remain a question of individual judgment.

However, a realistic price is a different matter - it must be real - one that is established and used in the trade and it must be a single price, not an average of many prices. No association, no bargaining group can claim to have negotiated a realistic price unless they have their product sold and have established a recognized price and not a series of prices at the farm level.

The point I am trying to emphasize here is the necessity of a bargaining group to achieve recognition and status so that regardless of the theoretical satisfaction of price level to its members or its customers, it has the strength, the know-how, and the flexibility to reach an agreement with its customers. Furthermore, to be worthwhile, this basic agreement must be of national or regional significance to the price structure of the commodity.

To my knowledge, the successful negotiation of a realistic price for red cherries, which meets the requirements mentioned above, was a first for a commodity grown in commercial quantities in five States. Red cherry growers through their own efforts directly influenced price at the farm level in areas that grow 92 percent of the commodity on a national level. They did this with the help of many groups and individuals but with no marketing orders or agreements and relied solely on the demand for their entire crop in the market place.

The basic story of this effort is herein submitted for your study and information. We hope it forms the basis for discussion on how we can improve our performance in future years and is useful to other commodity groups with similar problems.

Background:

The Great Lakes Cherry Producers Marketing Cooperative is a centrally organized cooperative with exclusive sales power for all of its members' Red Tart Cherries. It is a voluntary cooperative incorporated under the cooperative laws of Michigan and is licensed to do business in New York, Pennsylvania, Wisconsin, and Ohio. It was incorporated in

1957. It is controlled by 16 democratically elected directors whose districts represent approximately 1/16 of the cherry crop on a geographical and tonnage basis. There are eight directors from Michigan, three from New York, two from Wisconsin, two from Pennsylvania, and one from Ohio.

In 1957 the association made its first attempt to sell its members' cherries but withdrew from the negotiations after failing to sign contracts with enough processors to establish its price. In that year the crop was 147,000 tons or 14.4 percent over the 10-year average of 128,500 tons. Although figures are not exact, the association was purported to control 40 percent of the independent tonnage available to commercial processors in the five Great Lakes States.

In 1958 the association was successful in establishing its price and contract in all areas that it represented. The national crop was 103,000 tons or 20 percent below average. It controlled approximately 38 percent of the tonnage available to commercial processors and its members marketed 23,000 tons of cherries. The price negotiated was \$165 a ton, 14 percent greater than the previous 8-year average, but 26 percent above the 1957 average price. It was the first year of record when there was no significant difference in price or grade in any commercial district.

In 1959 the association had increased its relative membership and tonnage 12 percent but faced the task of marketing a crop 40 percent greater than 1958 and 11 percent greater than the 10-year average. In sizing up the association's chances of negotiating a realistic price, the form chart showed that in the past two big crop years, 1955 and 1957, the price had broken in the later Northern districts to 4-1/2 cents a pound for an extreme loss to processors and wholesalers, who had bought at 7 cents in early districts, as well as to growers.

Furthermore, the industry was characterized by having 100 cherry processors, none of whom had a nationally-advertised brand name and many of whom were small under-financed processors whose cherry line was not their major consideration. Fourteen of these processors were cooperative processing plants and historically accounted for 38 percent of the tonnage processed. The majority of processors relied heavily upon early sales to finance their pack and depended upon brokers for their primary outlets. On the other hand, in each State there were one or two large processors who were the recognized price leaders and whose close association and control over their historic growers gave them a smaller than average percentage of association tonnage to depend upon.

On the credit side of the ledger was the fact that because of moderate prices and smaller tonnage, 1958 had generally been a satisfactory marketing year. The exceptions to this were the small freezers who had gambled on poor quality cherries and high prices because of a short crop. In April, May, and June the price of frozen 30 pound tins of cherries had fallen to a price level below 1958 costs and carrying charges. However, carryover inventories had been appreciably reduced from 1958

levels and were manageable.

It also should be mentioned that losses to previous price leaders under similar conditions were such that they had no alternative but to deal with a responsible growers' organization, other than going out of the cherry business or operating on a cooperative or mutual basis. Previous experience had shown this policy to lead to opening prices based on the cost of picking or the grower advance.

The actual story of our negotiations and the problems arising are concrete proof of the background factors herein related.

On June 23, the association announced its opening price. Previous to this announcement, the association had sent its contract to each processor in the business, including the cooperatives, whether or not we had cherries for them and whether or not they recognized us. Each processor had been invited to meet with our board or manager or both to discuss the contract and also discuss market factors that would influence the 1959 price. Each processor for whom our members preferred cherries was also informed of the tonnage and growers available to him.

Each processor was then sent a telegram announcing the sale of our members' cherries for 7-1/2 cents per pound subject to acceptance of our standard contract of sales to processors. This contract specified tonnage, point of delivery, grade, and various features relating to methods of price agreement. The telegram also established a negotiation procedure calling for an acceptance or rejection of this price by June 27.

The positive action of 1,700 cherry growers offering 50,000 tons of cherries at a definite price and grade to commercial processors in five States created the following reactions:

The association made individual calls to all processors telling them the reasons behind their price announcement; sent a grower-letter explaining the economic factors determining their price decision; and urged them to sell our price and program to their preferred processors.

Growers - association members began making definite harvest plans and talked to their individual processors on the soundness of this price. Non-members took a more realistic view of prices and started working to get more than the association price.

Processors remembered 1955 and 1957 and began worrying about the crop picking out greater than the 129,000 tons estimated; started sizing up tonnage requirements and separated their lists into association members and non-members to assess their bargaining position; began estimating opening prices based on definite grower price, (13-1/2 cents frozen, 1.90 a dozen 303 waterpack canned); made tentative inquiries to their customers based on these prices; became alarmed at the wide divergence in their own individual thinking about 1959 grower price; talked over their 1959 financing requirements with their bankers; and unanimously

rejected the association's opening price. One processor in West Virginia began receiving cherries in the earliest district and accepted our contract but rejected our price and announced a day-to-day price of 7 cents to his growers not in the association.

Retailers sat back and listened to phone calls from processors bewailing their fate as processors and handed out routine tentative orders.

Large wholesalers and remanufacturers remembered their losses when grower price broke in 1955 and 1957 and immediately started working on smaller processors dependent upon large orders from them, indicating that a 7-1/2 cents price was out of the question. Their normal procedure was to indicate that at those prices no large orders would be forthcoming and they would buy day to day.

National field brokers immediately quoted prices on 1958 cherries at the lowest figures available without reference to grades or year packed, and indicated that the growers' estimate of the crop was low.

On June 27, the deadline for acceptance or rejection, we had sold no cherries at our announced price. Three processors out of the 66 who finally signed our contract agreed to sign our contract under the arbitration clause but refused to accept our price. The board of directors met in Grand Rapids, reviewed the grower and trade reaction and unanimously agreed to re-offer our members' cherries for a 7 cents pound price. Telegrams were then sent to each processor with the new announcement setting up a July 3 deadline for replies.

The new price announcement created the following reactions:

The association redoubled its efforts to contact individual processors by phone from the office. Calls were made on individual processors by directors in their respective districts. The association published a grower letter informing growers of true conditions and asking for calmness mixed with determination.

Growers - association growers began worrying about the accuracy of their individual crop estimates. In early districts, association and non-association members began delivering a few cherries to processors without a price. Association growers were assured that if their processors had no price and were informed of the association's asking price, our members were protected by law in the event the processor came out with a price later without informing the grower of a lower price before he had delivered. In Great Lakes States, it is illegal for a processor to take possession of a grower's produce with no price arrangement.

Processors began testing their buyers' reactions seriously at prices reflecting 7 cents to the grower, but found very little enthusiasm; became overly alarmed when the U. S. Department of Agriculture July 1 crop estimate showed a 5 percent increase over their June 15 estimate; began to negotiate seriously with the bargaining association in the

face of the rumors and uncertainties flooding the market from field brokers, large buyers, and speculators; began to realize that when their customers could tell them what prices to pay growers, then their status as a supplier of processed fruits was in serious jeopardy; and 8 more processors signed our contract but only 3 out of the 11 signed accepted our price. The others all signed under the arbitration clause.

Retailers sat by and refused to buy until firm prices were quoted by trade indicating that the lower the price, the better.

Wholesalers and large remanufacturers began serious discussions with processors based on the lowest possible cost of processing, refusing to accept a 7-cent grower price. They began playing one State against another, processors against low broker quotations, and dangling large orders before processors based on a 5 cent price to the grower.

Field brokers intensified their efforts to get sales quotations from processors in early districts based on the lowest possible prices. One field broker offered to take over our entire negotiations. It is our opinion that this was a direct attempt to get us to drop out of the negotiations at a critical period.

Midnight, July 3, passed, the score was that only 5 percent of the association's cherries had been sold to three small processors and an additional 10 percent were consigned under contract based on the arbitration of price by the American Board of Arbitration. Cherries were to be picked in volume in early districts in Michigan and southern Pennsylvania on July 4 and 5. No volume of sales had been made at prices below the association's announced prices but no sales had been made to the trade at the association's announced prices. A 2-hour telephone conference was called. The Manager was instructed to deal directly with processors in the early districts and come up with the best price that could be negotiated. The Directors were then to approve or reject this price at 10 a.m. telephone conference on July 4.

The result of these conferences was agreement with major individual processors in all early districts at 6-1/4 cents per pound. The Directors' decision was then a choice: (1) to take a responsible position dedicated to holding that price; (2) to withhold cherries from all processors except the 11 who had signed contracts, or (3) to withdraw as they had in 1957.

They unanimously agreed to face the market facts and announced by telegram to all processors that association cherries were now available to all at 6-1/4 cents per pound.

Then the problem was to consolidate this price in all districts and live up to the association's contracts as signed by processor and grower. By July 8, the association was able to announce that their price of 6-1/4 cents per pound was now established and that over 50 percent of their tonnage had been sold to less than 50 percent of the processors

at that figure. However, since the association's contract called for a reduction to all processors if any of their members' cherries were sold under that figure, the problem of holding that price proved more difficult than establishing it. The following actions were necessary to carry through our obligations to hold a national price structure at 6-1/4 cents per pound.

Southern Pennsylvania - Two small processors refused to buy cherries preferenced to them at 6-1/4 cents per pound. These were sold to two larger processors who had agreed to our price and contract.

Michigan - (1) A large processor in central Michigan returned 400 tons preferenced to him before agreeing to a 6-1/4 cents price and contract. A receiving station was then set up in central Michigan and these cherries were sold to southern Michigan processors where the crop was relatively short compared to northern and central Michigan.

(2) Raw fruit brokers in northern Michigan who had formerly done business with processors by word of mouth were left with unsold cherries that belonged to association members who historically had depended on them to find outlets. The association contracted and sold these cherries to other processors throughout the State and worked closely with a large cooperative processor in getting this job done.

New York - After negotiating until July 18, the association still had approximately 2,000 tons of its members' cherries unsold at its price. The area that these cherries were in was characterized by small freezers who had gambled and lost on the short 1958 crop. Non-association members were delivering to these processors for 3 cents down and no guarantee on price. Association members were not picking with the assurance that any cherries ruined by leaving them on the tree would be paid for by the association.

In the course of the negotiations, it became plain that the small processors in this area simply did not have the money to finance a cherry pack and could not get sufficient large orders from big buyers that would cover the cost of processing plus a 6-1/4 cent price to growers.

At a hurried telephone conference, it was decided by the Board of Directors to contract with reliable processors to pack our members' cherries at the cost of packing 5-7/8 cents per pound and that we would pay association members from joint funds collected by our 2 percent assessment and service charge at our price of 6-1/4 cents per pound in accordance with our contract. Financial arrangements were made with the Bank for Cooperatives and private banking institutions. A receiving station was set up by local personnel and an inspector for the association was installed in the three processing plants packing association cherries. Cooperation from members and participating processors resulted in a pack that was 98 percent USDA A grade with high scores.

These cherries were then offered for sale to all processors who had signed contracts with the association. The prices quoted reflected association costs. On October 1 these cherries were disposed of by contract through legitimate processor channels.

Wisconsin being one of the latest districts, pressure buying tactics reached their peak there during the period when the New York deal was being consolidated. The result of this pressure caused two major processors to announce grower prices to non-members of our association for less than the association's price. After several days when pressure was brought to bear on them by non-association members and it became clear that there was no panic in the cherry market, they raised their price to the association price for all cherries delivered to them.

The above actions resulted in the following reactions:

1. Association - The association has increased its membership by 350 members since the close of the 1959 negotiations or 23 percent. The association has had to be very careful in financing itself due to the burden of carrying a 1/2 million dollar inventory of cherries.

The association's activities in stabilizing its market was recognized by the National Association of Food Chains in a special December promotion of cherry products.

2. Processors - Processors have a much better grower relationship and found that the association and its members have lived up to grade, tonnage, and price requirements of their contracts.

Processors find themselves in a much stronger market position due to uniform raw material costs when dealing with national buyers.

Processors are beginning to think about the profit potential of cherries and are investing money in new products and increased advertising for this commodity.

3. Retailers - Retailers are buying and promoting cherry products in cooperation with growers and processors through joint promotion and advertising. They state that they are in the business of merchandising groceries and will cooperate with anyone who will make their efforts more effective.
4. Wholesalers and remanufacturers are looking to more direct buying at firm prices. Their fear of being at a competitive price disadvantage halfway through the season by weak packers selling through brokers is now diminishing. They look ahead to increased participation in an industry promotion program.

5. Field brokers - Legitimate brokers with definite processor responsibilities and area franchises are looking ahead to increased sales of cherry products.

This then is a brief resume of what it took us as growers to assume responsibility for the price, quality, and quantity of our product in 1959. We look ahead to many and more complex problems than we had this year. How far towards vertical integration must a growers' association go in order to influence processors and retailers? To what extent can growers help under-financed processors and how far will adequately-financed processors expand their cherry operation? What percent of a grower's income can be safely spent on advertising, promotion, and research and what responsibility do processors and Government have in these fields? To what extent should we divert our energies to national and industry problems rather than exert our efforts entirely on the competitive advantages of our own commodity and geographical area? These are a few of the problems we hope to cope with and steer the constant course.

However, come what may, we believe we are now organized in a manner to deal effectively with an organized and integrated food market structure. The skill and determination with which growers use this organization is the challenge of the future.

NEGOTIATING A REALISTIC PRICE: OUR EXPERIENCE LAST YEAR

Alan C. Jensen, Manager
California Tomato Growers Association
Stockton

We have learned that Benjamin Franklin was truly a wise man, for he once said, "Yes, we must indeed, all hang together, or most assuredly, we shall hang separately." We had adequate strength, adequate initiative, adequate purpose, and adequate organization, but we lacked unity of our growers as expressed through their lack of desire to benefit from the fruits of cooperative action.

I would like to tell you of our experiences this past year, the problems we faced, and why we decided to discontinue bargaining.

Back in 1947 a group of dedicated growers organized the California Tomato Growers Association as a body that would disseminate accurate market and crop information to the growers. For the next 11 years the Association represented the California tomato growers at all levels and achieved a fine reputation.

On January 26, 1958, a major processor offered contracts to growers at a \$20 a ton. Because of increasing costs, growers spontaneously resisted this offer. Several days later, on February 1, our Board of Directors decided to hold 14 simultaneous meetings over the entire tomato growing area of the state and present to the growers a marketing contract previously developed that would legally bind the growers together into a bargaining association.

Thus, on the night of February 4 at 14 simultaneous meetings, over 65 percent of the tomato acreage was committed to this new bargaining aspect of the California Tomato Growers Association. Within another week we had some 72 percent of the acreage. Growers signed willingly and, I am sure, many signed without much understanding of the requirements of a successful bargaining association. The marketing contract used was very similar to that used by Cannery Growers, Inc., of Ohio. This type of marketing contract calls for the approval of the terms and conditions of the sale contract by the association as opposed to the association taking title to and selling the crop.

We immediately met and negotiated with processors for a \$22.50 per ton price; the result: Friendly talks; no decisions. We then put into effect a telephone communication network so that we would be able to inform our growers almost immediately of occurrences and that we might receive information from the field just as rapidly. Since the association represents an area some 700 miles long by 100 miles wide, this type of communication was mandatory. On March 28, the same processor commenced writing contracts under our stipulated conditions. No outright

form of recognition was given by any cannery.

The results of the 1958 negotiations were very satisfactory to the growers and to the association. After the break in price came, the canners contracted for some 25,000 more acres of tomatoes than the market conditions warranted. As a result of this and an early ripening crop, serious gluts occurred at the plants at harvest time. These gluts resulted in serious financial losses to many growers. Growers had no protection from the processors' contracting for more than they could handle.

In the fall of 1958 the board of directors decided that the objective for 1959 would be to improve the present inadequate provisions of the existing cannery contracts so the grower would have a reasonable chance of delivering the tomatoes for which he contracted. Considerable research, time, and effort were put forth to develop a contract which placed a responsibility upon the processor to only contract for that which he could handle and yet would not impose upon the processor more restrictive conditions than his past capacities had indicated.

Thus, on December 18, 1958, the association presented to all 48 tomato processors the proposed contract and requested that they study it and meet with us to discuss a mutually acceptable contract. I believe there were two or three who even replied during the ensuing month. It was our desire to agree upon a contract before we discussed any price for 1959. With this deadlock, growers faced a situation of having to make a decision as to their planting intentions for the year. Commencing in late February, many growers began to seed tomatoes in anticipation of an early settlement. A common occurrence was the grower asking his processor if he would take his tomatoes if he planted them. With few exceptions the answer was, "Sure, when this thing is settled, we'll be glad to take them."

In the middle of March, another major processor offered to buy non-association tomatoes for \$21.50 a ton. Efforts to negotiate a satisfactory settlement continued with a very determined cannery group. Plantings continued to mount. The board, although never announcing a desired price, had given to top management the range of price possibility. The manager announced to the canners the top price of this range with hopes of negotiating a compromise settlement of \$22.50. However, no compromise was forthcoming. In fact, the canners counteracted with a \$23.75 suggestion. During May deliberate encouragement was given to growers by processors to plant more. When all tomatoes were planted, a survey was taken that indicated that there were more tomatoes planted than the association had previously thought and less than the canners had estimated.

After a change in management in June, further efforts were made to settle at a price acceptable to the association. When all these efforts were resisted and harvest was imminent, the association accepted the canners' offer of \$21.50. Immediately a very disastrous harvest season

commenced. The crop was again early and conflicted with the cling peach harvest. The losses to the growers were terrific. At no time did the canners collectively handle more than two-thirds of their previous capacities. With physical conditions such as this, the association obviously received the blame for everything.

Why did we succeed in 1958? We succeeded for three good reasons. First, we had an adequate amount of acreage to be a large factor in negotiations. With 72 percent of the potential acreage legally banded together, it was impossible for the processors to go around us. Secondly, the fact that we put our bargaining organization together in practically one night gave the processors little time to effectively propagandize against us. Third, we had a very wet spring where growers were unable to get on the ground to do any planting. The processors had little choice but to accept our nominal terms.

Why did we fail in 1959? Despite the hard-working, honest efforts of the board of directors, the forces opposing them finally became overwhelming. Having been successful in 1958, growers generally felt that we had a powerful organization and each one of them might capitalize to their own benefit. Processors, I am sure, gave considerable thought to how they would deal with the association in 1959.

As I stated before, processors generally encouraged growers to plant plenty of tomatoes. The association attempted to point out to the growers that their best bargaining position would be: No contract, no tomatoes. It is evident that most growers were not cognizant of the factors that were necessary to obtain the desired contract and price. Most canners gave commitments to their growers that they would take their tomatoes at the final agreed upon price.

Looking backwards, I can see that more communications through meetings and bulletins might have been effective in combating a decided lack of desire on the part of the majority of the growers to collectively fight for a better price. Another factor that made negotiations difficult at this time was conflict between the board of directors and top management. When the board of directors realized that an adequate acreage of tomatoes was planted and that nearly all of it had been committed to the processors, no bargaining position remained.

Why did we discontinue bargaining? Our marketing contract was a perfectly drawn legal document. Many growers, and I am sure all the processors, had the best lawyers available peruse the document. It was never challenged as to its validity. In fact, one of the large processors told some of their growers, "Do anything you want, but don't violate that marketing contract." However, the board of directors felt that the marketing contract did not give adequate control to the association over the sale of the grower's tomato crop. They found that many growers were selling their crop under their grandmother's, mother-in-law's, or some one else's name. Although this, of course, was not legal, it would be extremely difficult to prove. Again, the type of document was

just not adequate to handle the situation.

At the same time it was obvious to the Board that a great number of our members intended to withdraw from the marketing contract at the close of the season. In fact, they were cleverly being pushed into this position. One of the largest processors had prepared a real legal sounding letter addressed to the association notifying and requesting the association to terminate the marketing contract. This was presented to their growers when talking to them regarding their 1960 contracts. In order to obtain their 1960 contract, it would be necessary to sign this letter and mail it to the association. Other canners followed the same idea but did not supply the letter.

The marketing contract provided that either party could terminate the contract commencing in December of 1959. If a large segment of the members were to withdraw and those members who really wanted to bargain collectively remained, it would only result in those who remained being discriminated against. Their numbers would not be adequate to be a factor in negotiating a price. In view of this, the board of directors voted in October to initiate the termination of all marketing contracts with all members. Thus, today the association will not legally bargain for their members.

Where do we go from here? We have only one place to go and that is up. We have done surprisingly well so far. We have pointed out to our members repeatedly and with much force that in view of present conditions, they could not hope to make a profit at the \$21.50 per ton price offered by the processors for 1960. All our meetings, bulletins, and magazines have been calculated to make the grower think like a business man. We have developed reliable cost of production figures and have widely publicized them. As a result of all this, and other factors, the processors are now offering \$22.50 for 1960 tomatoes. We are continuing our campaign because we are convinced that the final price for the 1960 crop has not yet been set.

In addition, the association is spearheading a drive to perfect the mechanical harvesting of tomatoes in California. Our financial contributions to the University of California for research have been greatly increased and our total efforts have resulted in a crash program for 1960 by the University. The board will, this coming year, develop a new marketing contract that will be more adequate to handle the program when growers again wish to bargain collectively.

IMPROVING THE CLIMATE FOR PRICE NEGOTIATION

Ralph B. Bunje, General Manager
California Canning Peach Association
San Francisco

Good bargaining requires a good climate. Bargaining is like farming -- the best production can be found where the seed is planted in rich soil and where a good climate exists; and so it is with farmer bargaining. A good climate must be created so that the bargaining can be carried out successfully, with respect to both the buyer and the seller.

My comments will describe bargaining along the lines of what I would prefer to call the seven Fs -- the seven Fs that will help create a desirable climate within which to bargain. The rules set forth through the utilization of the seven Fs will remind us that perhaps the golden rule has a real place in bargaining as well as in our own personal conduct. A good climate for bargaining can be said to exist -

When we are -

FRIENDLY with our customers. It is important that farmer bargaining associations remember that our bargaining is done with people with whom we are basically associated in important economic ways. Our customers are people upon whom we must rely to market, distribute, advertise, and promote the products we are attempting to sell to them. The handlers or buyers with whom we do business are our customers and we should keep that uppermost in our minds. By approaching our customers in a friendly fashion, we will generally find they are receptive and responsive to fair proposals we might have in mind.

FAIR in our dealings with our customers is an essential ingredient. A farmer bargaining association may, on occasion, find itself in a strong economic position. The use of such economic strength should be carried out in a manner that can be described as being fair. Fair to our members, and fair to our important customers.

FORTHRIGHT in our dealings with our customers which prevents misunderstanding and leads to a better basis of negotiations. We need to be forthright not only with respect to our customers but also with regard to our members. They are entitled to know the facts; know them fairly and know them honestly; and even though sometimes those facts may not be what our members or our customers would like to hear we have the responsibility of dealing with them in a forthright manner.

Dealing with FACTS so important to our long range progress. Trying to deal with rumors, allegations, ideas that have no factual basis, only leads to weaken the bargaining process. Good, sound, economic facts can be the real basis upon which strong bargaining associations can be established.

FAITHFUL to our members thus creating the deep roots so essential to good growth. Being faithful to our members creates the confidence so necessary to a bargaining association. When the membership believes that its management and its Board of Directors are faithful to the ideas which lay behind the founding of the organization, we will find that strength will be ours when it gets down to the difficult job of negotiations.

FIRM in our dealings. We must let our customers and our members know that we are not wishy-washy; not subject to rapid change; not subject to flights in policy; but firm in our dealings, firm in our policies, and firm in our insistence of being fair and honest in our transactions.

FULLY INFORMED - Bargaining associations and their members need to be fully informed. A well informed membership will back up the management and Board of Directors in connection with their bargaining techniques and their bargaining operations but if the membership is not well advised and not fully informed then when the crisis stages arrive there will be no support from the membership which is so important. Likewise, keeping our customers fully informed insofar as our own operations are concerned is an essential ingredient in creating a good climate for bargaining.

This then describes the seven Fs that I believe are essential ingredients in connection with establishing a desirable climate for bargaining.

There are many of our members who believe that bargaining associations need, in addition, a favorable legislative climate if they are to grow and prosper. I believe that our customers would agree that this is desirable. Our experience has been that people with whom we do business are fair in their treatment of their grower suppliers.

But in order to assure all farmers the right to enjoy fair treatment in bargaining with buyers, bargaining associations need to seek legislation which will preserve that right. There has been some work done on this in California primarily by the dairy interests. Our own organization has also done some research in this connection. However, no actual legislation has been introduced. We believe the idea should receive a great deal of study and a great deal of analysis and be discussed with some of our more important customers. It seems to us that any such legislation should primarily deal with unfair buying practices. It should have as its aim the equalization of bargaining strength as between the farmer and his diminishing number of customers.

THE AMERICAN FARM BUREAU FEDERATION'S PLANS FOR AIDING GROWERS
THROUGH BARGAINING COOPERATIVES

Kenneth Hood
Assistant Secretary and Director, Commodity Division
American Farm Bureau Federation
Chicago, Ill

The American Farm Bureau Federation, since its beginning in 1919, has been working to develop programs to assist its members in the solution of marketing problems. One of our first major efforts was to sponsor a large number of marketing cooperatives, many of them still in operation today.

We recognized the importance of group effort in those days of horses, steam threshing machines, setting hens, country butter, family orchards, and general farming. If cooperation was important then, how much more so today!

In these 41 years of our history, agriculture has moved from an agriculture of general farming and an uncomplicated marketing system to a streamlined, mechanized, commercialized, specialized type of operation.

In marketing, we have progressed from a quaint system of peddling and bartering a miscellaneous array of farm products to the complex distribution system we know today. Specialization in agriculture and a rapid urbanization of our population have vastly increased the distance to be traveled in getting food from the fields to the consumers' tables. Changes also have been brought about by brands, grades, quality standards, supermarkets, and now vertical integration, trading stamps, precooked foods, bulk milk tanks, filter tip cigarettes, and homogenized tobacco. And maybe in the future -- atomic power and man-made weather.

During these years of rapid change, crop yields have increased a third; production per animal, two-thirds; and output per farm worker, 2 1/2 times. In 1920, one farm worker produced enough for himself and 7 others; today he produces enough for himself and 26 others.

These many changes have resulted in fewer and larger farms, larger capital investments per farm, greater output per farm worker, greater specialization, shifts in areas of production, greater commodity interest, and a progressively smaller and smaller percentage of our population engaged in farming.

Tomorrow more changes will come. The agricultural revolution will continue. There will be fewer farms and fewer farm people. The family farm will not die out but it will get larger. Increased mechanization, along with further commercialization and specialization of agriculture will make it necessary for farmers to increase their farm size if they are to operate at maximum efficiency.

As farming becomes more highly complex and increasingly specialized, there will be an even greater need for agricultural knowledge and managerial skills than there has been in the past.

More of the items needed for farm production will be purchased. We now buy fuel, power, baby chicks, hybrid seed, and many items we formerly produced on the farm. For some types of farms, as much as 40 percent of the farm inputs are purchased from non-farm sources, and as much as 60 percent from farm and non-farm sources combined. As the trend toward the purchase of more farm inputs continues, farmers will be affected more than ever by costs that are determined by what happens in the non-agricultural areas of our economy.

Marketing methods will be revolutionized to meet the challenge of change arising out of vertical integration, specification buying, concentration of buying power in fewer but larger firms, and changing consumer demands at home and abroad. Farmers will be searching for ways to increase their bargaining power through marketing and bargaining associations and other means.

The Role of Bargaining

The solution of the highly complex marketing problems of the new age will require efforts in many directions. One of the major approaches will be in the bargaining field, especially in those areas where products are sold in contract.

During the past year our board of directors studied the need for strengthening the bargaining position of producers of certain commodities. This was done to carry out the policy resolutions on this subject which were adopted by the voting delegates at the 1958 annual meeting.

At the September meeting, consideration was given by the board to a report of a special Farm Bureau Committee authorized by the board to study this matter.

The following motion, based upon this study of the special committee, was approved:

1. There is an urgent need to organize to improve the bargaining position of producers of processed fruits and vegetables at national, regional, state and local levels.
2. AFBF and State Farm Bureaus have an important role to play in efforts to increase the bargaining power of farmers. This applies in many areas, but first consideration should be given to producers of processed fruits and vegetables.
3. AFBF and State Farm Bureaus need to establish a definite, positive program of action to improve processed fruit and vegetable bargaining. This activity should be given immediate attention and should be one of the major areas of activity in the 1959-1960 program.

4. We urge that State Farm Bureaus in States with important acreages of processed fruits and vegetables examine the need for organization of bargaining associations of producers of these crops if producers are not effectively organized at the present time. Consideration should be given to the advisability of establishing close legal or other Farm Bureau control of new associations set up by Farm Bureaus.
5. We recommend that AFBF set up a marketing and bargaining subsidiary for agricultural commodities which should be self supporting when organized and in operation. We further recommend:
 - a. That first consideration be given to processed fruits and vegetables, but the program be broad enough to include other commodities, as desired;
 - b. That membership be limited to those associations approved by State Farm Bureaus and the national subsidiary;
 - c. That these major areas of activity be pursued --
 - (1) Provide a means for State and regional bargaining associations to coordinate their efforts.
 - (2) Conduct research; analyze contracts and contract terms; and furnish information of supply, demand, contract prices, and the like. Service such as the AFBF Processing Fruit and Vegetable Letter should be improved and expanded.
 - (3) Confer with national associations, processors, and individual canners to get their cooperation in negotiating with bargaining associations. Could also discuss contract terms, acreage guides, and the like.
 - (4) Assist States in organizing bargaining co-ops.

The voting delegates at the annual convention in December unanimously approved the establishment of a national marketing association to be established as an affiliate of the American Farm Bureau with the necessary legal controls provided in its corporate structure to assume a continuing, satisfactory relationship with Farm Bureau.

How Will We Operate

We are now in the process of actual incorporation.

State Farm Bureaus and bargaining associations approved by the State Farm Bureaus will be given an opportunity to join us in the near future. We plan to call a meeting of prospective members as soon as possible after incorporation. Further plans for financing and management will be worked out at that time.

We do not plan to negotiate at the national level, since bargaining will continue at the local, State and regional levels as at present. We do, however, plant to provide for national negotiation in our charter in case it is decided at some future time that this would be advisable.

We are not striving for monopoly or to dictate prices. We recognize that there is a right price based upon supply and demand conditions, and we hope to help our member associations in the affiliate to find this price through a careful analysis of supplies, demand, market conditions, and other factors.

Some would try to solve the bargaining problem of farmers by enacting legislation that would put each farmer in a straight jacket of marketing quotas for each commodity and a total marketing quota for each farmer.

Some would join with organized labor and let the labor leaders take over the agricultural industry.

Others would amend the marketing agreement and order legislation to provide for national agreements and orders.

Still others would expand the size and number of our agricultural cooperatives and enlarge the scope of our bargaining cooperatives to include more commodities and more territory.

The American Farm Bureau Federation and its member State Farm Bureaus earnestly believe that the last alternative is best and that we should seek to solve our own problems through our own organizations. Only in this way can we succeed in enlarging markets, preserving freedom and opportunity, and improving the economic and social position of American farmers in this fast moving world of tomorrow.

Bill Stempfle, Secretary of the New York Canning Crop Growers, summarized the future of bargaining in the processing vegetable field when he said at our convention in Chicago in December:

"It is my earnest plea, and I know I speak for all bargaining associations, that we may have fair and honest treatment by processors and that we may be accepted by the industry as business partners. Processors have much to gain by such a relationship and nothing to lose. And the continuation of the present attitude of lip service cooperation and violent opposition can only result in forcing growers to accept the overtures of organized labor or to demand Government programs that would eventually socialize agriculture and perhaps in time, the processing industry itself."

COOPERATIVE BARGAINING ASSOCIATIONS
AND FEDERAL MARKETING ORDERS

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The fruit and vegetable industry certainly has changed since the time the producer hauled his products to market in his own wagon and bargained with the customer face to face. Then we had real integration. There was nobody between the producer and consumer. The producer was quite an effective bargainer. At least he stood on the same ground as the buyer. Each had about the same information. The market was a pretty small area.

Things are different now, for sure. The market area has grown bigger. Production areas have developed away from consuming centers. Processing has come of age. There is a whole line of people and services between the producer and the consumer. It is easy for the producer not to know what's going on at the end of the line -- or even in the middle for that matter. Consumers don't know much about what is going on out on the farm either, or between themselves and the farm.

All along that line there has been consolidation--mergers. The buyers the farmer deals with have diminished in number and individually they're bigger. They're harder to talk to. They have needs for products in large quantities, of specific grades and qualities. Too many producers, even groups of producers, find themselves at a disadvantage in dealing with these big operators.

Farmers as a lot have been individualistic. They don't combine with each other readily. They like to feel self-sufficient. As time has passed, more and more of them have come to recognize that self-sufficiency lies in organization. Many have discovered that each voice added to those of his neighbors' is more likely to be heard. But progress has been slow. It needs to be accelerated.

If farmers are to continue to be self-sufficient, it seems apparent that they must take advantage of the help organization can give them. Marketing orders and bargaining associations are such organized efforts. It is probable that there are many situations where these tools do not fit, but they should not be cast aside without investigation.

As many of you know, marketing orders developed as an extension of cooperative principles--to bolster the efforts of cooperatives that were trying to improve marketing. Cooperatives which tried to improve the marketing of their products had no control over nonmembers. Frequently the supply of product marketed by non-cooperators tended to depress returns to growers out of all proportion to the relative part of the

product they produced. It became apparent that success depended upon more complete cooperation.

A marketing order makes it possible for growers, handlers, and the Government to cooperate together to do what none of them could do alone. It prevents a small element of the industry from upsetting the efforts of the majority.

Marketing orders and bargaining associations have similarities other than both being self-help instruments. They both have a common objective --to improve and stabilize returns to producers. They require a lot of understanding, cooperation,--yes, give and take, for success. Knowledge often spells the difference between success and failure.

It is important to point out that marketing orders have some very definite limitations. They won't control production. They won't change the laws of supply and demand. They won't fix prices. They won't make a poor quality product better. They don't apply just to the other fellow. Most of these limitations apply in some degree to bargaining associations.

We haven't had much experience with bargaining cooperatives. Most of those I know about cover fruits and vegetables for canning or freezing. Except for asparagus, olives, and grapefruit for canning, Federal marketing orders are not authorized for fruits and vegetables for processing. Most of the orders administered by the Fruit and Vegetable Division cover the fresh commodities. We do have some which cover dried fruits and tree nuts. It seems doubtful that bargaining cooperatives as developed thus far can be made to fit into the marketing picture for fresh fruits and vegetables.

Most of my remarks will be confined to marketing orders--marketing orders for fresh fruits and vegetables and for dried fruits and nuts. These are the kind of programs we have and with which I am most familiar.

Basically, I think of marketing orders as being of two general types--the simple and the complex. In its simplest form, a marketing order regulates some aspect of quality, usually the grade and size of the commodity marketed. This is the predominant type of regulation for fresh fruits and vegetables. We think this is one of the soundest types of regulation. It is easy to apply, and it makes sense to us that if you are going to eliminate some of the commodity from the regular market it ought to be that part of the production least desirable from the consumer standpoint.

Some of our orders regulate volume. This is a more complex type of order than the grade and size type of program. It is much more difficult to administer. There has to be some basis acceptable to the industry for allocating the volume permitted to be marketed.

Under our California orange programs, for example, the volume a handler is permitted to ship is allocated to him on the basis of the proportion of the total crop he has under his control--that is, under written contract or agreement to market the fruit for the grower. For a program of this type to work, growers must be willing to vest the marketing control of their crop with a particular handler. Ideally, a volume program should be operated in such a manner that it does not divert a large quantity of the product from the primary market. It is well to add that if a volume program achieves too favorable a price, competition builds up either from increased domestic plantings or imports. This is not just an abstract observation. It is based on what has actually happened.

The most complex type of marketing orders we have are those which involve surplus pooling operations. These are another form of volume control and a type of program under which cooperative marketing is applied to all factors in the industry. These programs have been used for dried fruits and tree nuts--the least perishable items. They provide for the determination of the existence and extent of a surplus of the particular commodity. They provide for the control and disposition of the surplus. The burden of surplus elimination is equalized among the growers and handlers.

Once the extent of the surplus has been determined and surplus and saleable percentages set, handlers are made responsible for setting aside the required percentage of commodity in the surplus pool. That part of the supply deemed surplus is isolated from the primary market. Under some of the programs, all of the commodity that is substandard is automatically placed in the surplus pool even though this may result in greater surplus contribution for some growers and handlers. After disposition of the surplus in other than primary market channels, receipts are divided pro rata among equity holders of the pool.

Each of our marketing orders provides for a local industry administrative committee. Among the duties of such a committee is the collection of economic data and other information affecting the marketing of the commodity to help them in making recommendations and other marketing decisions. These data and information form the basis of a marketing policy which committees are required to develop and submit under our marketing orders. The bringing together and study of all relevant data pertaining to the commodity and to competing commodities in the formulation of a marketing policy have been of major significance to industries in understanding and dealing with marketing problems.

While the primary provisions of a Federal marketing order relate to the regulation of the quality or volume of the commodity itself, authority exists for container regulation and for the conduct of research and promotion. Some of the committees have used the container limiting authority to standardize containers so that buyers and sellers can trade with confidence. Some have used the research provision in the investigation of problems related to the marketing of their commodity. Others have developed and distributed information designed to increase consumption.

Proponents of marketing orders have from time to time voiced the hope that, through the operation of a marketing order, coordination can be obtained among all producing areas. The idea of national marketing orders has been broached. However, experience has established many very practical short-comings to including any extended production area under a single marketing order. There are limitations inherent in differences in varieties, in seasons, and in outlets for the product.

Yes, differences in attitudes of people, too, present some of the practical limitations to broad area cooperation. Effective communication between people in different areas presents some real barriers to mutual understanding and common effort. In fact, people in the same area often don't see things alike. This may be overcome in time, if enough informed people work at it hard enough.

Now, more specifically, about whether Federal marketing orders would facilitate the operation of bargaining associations, or vice versa. As I have pointed out previously, authority for the application of marketing orders to fruits and vegetables for canning and freezing is very limited. We don't have marketing orders on the commodities for which authority is available. This is the area in which bargaining associations have been most active. Our experience leads us to believe that a strong marketing cooperative in combination with a Federal marketing order is a good combination. It is a particularly good combination where volume controls are operated.

Our experience over the years prompts me to say that a strong marketing cooperative spells the difference between success and failure of a volume control marketing order. As a matter of fact, existence of such a marketing cooperative and its interest in a marketing order has been a major determinant in whether a marketing order comes into being. Of course, once a marketing order is in operation, the marketing cooperative has a very important assignment of industry statesmanship to discharge if maximum long-term benefits are to accrue to all growers from operation of the program.

Just how a bargaining cooperative fits into the operations of a volume control marketing order when a strong marketing cooperative handles a substantial portion of the crop has not been clear to me. The potential conflicts of interest and authority loom as major problems to effective coordinated operations. A bargaining cooperative operating in conjunction with a marketing order in the absence of major cooperative marketing control presents a somewhat simpler situation. You are familiar with such combinations existing in California. Although even under these circumstances, coordinating objectives, including prices to growers, between bargaining association management and marketing order authority calls for clear understanding and amicable working relationships.

The need or desire to improve produce prices is the prime force which brings both marketing orders and bargaining cooperatives into being. Yet, the dangers of their misuse can be greater than not using them at all.

Wisdom in their use is the big challenge.

In the Department we have urged producers not to proceed with a marketing order unless they are convinced that it can make a sound contribution to more orderly marketing for their commodity. We also emphasize that interest in and support for a program must come from a substantial majority of the producers and handlers involved. Sometimes producers and others become over-enthusiastic about the value and benefits they think may be derived from such a program. One of our problems has been that of deflating over-expectations to make it clear that benefits to be expected through marketing order operations are limited; that the benefits to be derived are no greater than the effort expended, that an order can prove negative in effect if not used in the best long-time interests of the growers. Moreover, if an industry is looking for something for nothing, a sort of regulate-the-other-fellow approach, a Federal order isn't the ticket.

As I see them, bargaining associations are a first step in working together--learning to assess the economic of the problem. We have found that when different segments of the industry sit around a conference table and talk about their problems they often find that instead of having different problems they are viewing different parts of the same one. It is a basic fact that before you can solve a problem you must first define it. A better understanding of the basic economic facts makes people better cooperators--puts them in a better frame of mind to deal with any situation. Without understanding by the people involved, progress won't be made.

Economic facts can be collected and discussed under marketing orders and bargaining associations. Intelligent action under either must be preceded by the collection and study of such facts. The better informed farmers are, the better decisions they can make. Good decisions are necessary if agricultural producers are going to have dollars to put in their pockets. Over the long pull, neither a marketing order nor a bargaining association can obtain prices for producers which are not justified economically.

Those who work for and on behalf of growers must give the growers the whole picture. They must give the grower the "bad" along with the "good." If the picture isn't too bright, the growers should know it. In the final analysis, the people who will get the job done will be the growers themselves working together. Marketing orders and bargaining associations are only tools, and they are only as sharp as the people who use them.

A PROCESSOR'S VIEW OF BARGAINING ASSOCIATIONS

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Processors of fruits and vegetables have contracted with growers for their raw product requirements for many years. Recently there has been much activity in the contracting of other farm products which normally are purchased at open market. Although there are several active grower bargaining associations in the fruit and vegetable field, we expect considerable interest by growers in bargaining activity as a result of the development of contracting in other products affecting large numbers of growers.

Many efforts in grower organization, whether successful or otherwise, have been in a context of distrust and bitter personal feelings arising from real or fancied abuse by contracting processors or from unrealistic objectives of growers. These circumstances have frequently obscured what must be the valid goals of intelligent producers - the improvement of economic returns from their crops. Our consideration of the assigned topic will be with reference to the prospects for such economic gains.

It is necessary to review the present status of the canning and freezing industry. That packers have not grown "fat" at the expense of either producers or consumers is a matter of record. The mortality of packing businesses due to bankruptcies, simple abandonment, or mergers, has been widespread. Diversified processors feel very lucky when they are able to show profits of 3 or 4 percent and often take less, and this in a business with only one turnover a year. Lack of profits to pay for modernization of plants is a critical problem in the industry.

The consumer is the final authority as to the values created in the production, processing, and marketing process. Today's grocery store is full of alternative or substitutable products for practically every crop and the consumer determines the volume of sales of each product by direct comparison of price and appeal at the point of final sale. It is here that the dollars are collected which pay for the growing, processing, and marketing costs. If the income from the sales will not pay an appropriate return to all the factors of production and marketing, it becomes necessary to find new and better methods and products or abandon the operation.

We must conclude that increased returns to growers will originate from specific gains in the marketing process. Such gains may not even result in higher prices if competing products make similar progress and prices fall under the pressure of increased production. In this case competition could otherwise further reduce the returns and perhaps make

production impossible. Of course, if consumption would increase in relation to production this extreme price pressure would be relieved. The potential gains which may be accomplished are in reference to the reduction of costs in operations or the increase of values of salable product from the grower's crop.

Areas of potential cost reduction which may be worthy of consideration can be illustrated as follows:

1. Elimination of processor services not economically productive and assumption by growers of growing and delivery functions which can be done at lower cost by the grower. Habit and precedent have perpetuated supply services, receiving stations or other activities which might be eliminated or reoriented.
2. Mechanization of harvesting through processor or custom-operated specialized equipment not feasible for the individual grower, thereby accomplishing reductions in cost. Research in this field is needed for many crops and growers could very effectively influence support funds.
3. Improvement of raw product quality with reference to costs of preparation, percentage of recoverable finished product, and sales value of the finished product. The cost of excessive preparation labor may actually exceed the value of the raw product which requires severe trimming for removal of defects, rot, insects, and the like. Low recoveries of finished product may substantially increase costs per salable unit. Many grower contracts require processors to handle low grade raw products which generate losses that must be made up from the rest of the intake. This problem commands attention.
4. Improved scheduling of production for maximum efficiency. Most packs are seasonal and must be made within specific periods of time. Overhead costs on such operations are bound to be high, but may be substantially reduced if the plant can operate a maximum number of hours. The appropriate scheduling of plantings, acreage, deliveries, and the like, is necessary but creates problems affecting growers. These may include varieties or planting periods not entirely to the liking of the grower or may generate risk of overproduction. Plantings must be scheduled on a statistical base for reasonably full operating schedules and may provide excessive harvests in a heavy crop year. The management of excessive tonnages requires attention.

The above are illustrative of the type of cost and efficiency of operation problems which involve growers and which may provide opportunities to generate savings. There must be many more.

The increase of salable values, in addition to the factors involved in production efficiency, must accrue by way of the willingness of

consumers to spend more dollars for the products purchased. Present forms of the product may not be those for which consumers would be willing to spend more money. This implies new product research and market development which may not be within the ability or interest of the processor and must be accomplished by other agencies. In fact, processors may have an equivalent or greater opportunity in developing substitute products with company identification that will compete directly with the grower's crop.

Enlightened self interest dictates that processors must continually search for the most efficient procedures and for the greatest possible sales values. Otherwise, intense competition will drive them as well as the growers out of business. Whether by individual action or through organization, the growers must establish their share of the consumer's dollar by economic activities which permit their crops to compete with similar or alternative products in the market on a basis that will provide the needed incomes to themselves as well as those who process and market those crops.

THE ROLE OF BARGAINING COOPERATIVES AND PROCESSING
COOPERATIVES IN EFFICIENT MARKETING

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We are very happy as a cooperative processing organization to join with all of you, and particularly with members of bargaining cooperatives, in this discussion of our joint role in efficient marketing. In case some of you are not familiar with Cherry Growers, Inc., we were organized as a cooperative processing organization in 1939, some 20 years ago, primarily to process by canning or freezing red tart cherries. Since that time our capacity has been expanded to include apples, purple plums, strawberries, peaches, and sweet cherries for canning and brining.

Since fruit processing until recent years has not been a major industry in Michigan, we were for many years nearly alone in the industry and existing as a single item packer. But changes do take place. Our entire industrial structure is changing. This includes the food industry. Giants in industry are becoming larger. Just look at the list of manufacturers, food chains, and food processors. A few of the country's largest account for a much larger proportionate share of the total output and consumer's dollar.

It is evident that in the future growers and their cooperatives must compete with, sell to, and buy from giants. Survival in such a world of bigness is dependent upon agricultural cooperatives becoming at least as efficient as their large rivals. Here it is that I believe bargaining cooperatives perform a function in making supplies available in quantities large enough to permit efficient use by large processors. Processing cooperatives through merger and other means must grow fast enough to keep pace with giants in the food industry. Joint action by both bargaining cooperatives and processing cooperatives offers a means of forcing competition to take action.

The red cherry industry has grown tremendously in the last 30 years. Annual production has increased from 100 million pounds to nearly 300 million pounds. In our industry the progress of the red tart cherry packer has not kept pace. Until recently we were marketing the same product we marketed 30 years ago in the same way. In Michigan some 40 packers, over half of them single item packers, were packing 160 million pounds of fruit or an average of 4 million pounds of fruit per packer. Figuring overhead at 1 cent a pound of fruit; this means the average packer had some \$40,000 available to pay interest, taxes, salaries of administrative personnel and to run a sales department. An impossible situation - well, almost -- and an even more impossible situation for the grower.

With 40 small packers, growers were paid 40 different prices for their raw fruit - usually too little in big crop years and too much in small crop years. This wide fluctuation in raw product cost merely multiplied marketing problems. After several consecutive years of low return, growers, many previously labeled as non-cooperators, were ready to join together to improve their marketing situation. Hence the formation of Great Lakes Cherry Producers Marketing Cooperative. Yet I don't believe this would have been possible if some of the leadership supplied by existing cooperatives had not supported their action.

It also was evident that many of the larger independent packers felt themselves powerless to do much about the situation and sanctioned grower cooperation and action.

It appears that to maintain a proper balance in an industry that a combination of all three groups are needed, progressive independent packers, progressive cooperative packers, and a well-managed progressive grower bargaining cooperative. Although there are some notable exceptions, I believe in the long run that this type of balance will keep the industry healthy and competitive -- as it must remain if it is to grow.

Since competition is the basic ingredient of our American way of life, any industry that eliminates all competition will eventually suffer.

An efficient well-managed bargaining cooperative is in a position after thorough analysis to arrive at what it believes to be an economic value of a particular crop based on many variable factors. The independent packer who must base his decision on what he considers to be an economic value of this crop is in a position to either accept or reject this price. The cooperative processor providing that its plant efficiency, management ability and sales department are on a par with the independent packer should be in a position to realize this economic value for its growers. Each group can serve as a check and balance on the other and insure for the producer as nearly as possible that he will receive the true value of his crop.

All three must have the interests of the grower at heart in the long run if they are going to continue to operate and perform a service. There is less chance that anyone will get too far out of line if each is maintained as an aggressive well-managed group.

There are many other areas other than that of arriving at the true economic value of a crop that bargaining cooperatives and processing cooperatives can effect efficient marketing.

Since the grower himself is interested primarily in development of new outlets for his particular crop, both bargaining cooperatives and processing cooperatives are in a position to influence action in new product research and development. This can be done at the experiment station level but outside of basic research many new products must be developed by the industry itself with funds provided for by the industry.

People's living standards and eating habits change with every passing day. There is a great need for more convenience items. Yet many of our growers are expecting more money for food items that have not kept up with consumer needs. Growers must take more responsibility in the handling of their raw products to see that they end up in the supermarket in a form acceptable to the housewife.

In today's supermarkets there are no salesmen recommending that Mrs. Housewife try a certain item. Each item must be presold if it is to maintain a movement to justify its shelf space. Bargaining cooperatives and processing cooperatives are in a position to influence industry action along these lines. Adequate commodity and product promotion remains a big and important part of efficient marketing.

In the area of raw product handling, the grower bargaining cooperative can be very influential in setting up schedules and methods that lend themselves to more efficient handling. In our particular commodity, red tart cherries, many raw fruit brokers had come in to fill a particular need. As the bargaining association is more effective, the need for such services will diminish with a resultant saving to the grower and an increased return for his raw fruit.

Uniform grading can be of great service to grower and processor. Cooperatives are in a position to work out with growers a grading system that is efficient and fair and will set a pattern for the industry.

It would be possible to go on and on listing areas where bargaining cooperatives and processing cooperatives can play an important role in efficient marketing. As I see it, both types of cooperatives form an important part of an efficient marketing system and the picture is completed with the addition of the independent processor. No industry can long survive if it must depend upon an inefficient poorly organized, ill managed marketing organization. This not only includes independent processors but cooperative processing organizations and bargaining organizations as well. We need the most modern machinery that money can buy and should not be willing to settle for anything less.

POSSIBILITIES AND PROBLEMS OF IMPROVED MARKETING THROUGH
BARGAINING COOPERATIVES

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While the original program stated that this talk would deal with "Problems and Possibilities," I would like to "accentuate the positive" by rephrasing it as "Possibilities and Problems of Improved Marketing Through Bargaining Cooperatives." That is, what are some of the ways bargaining cooperatives can contribute to improved marketing -- looking at improved marketing from the standpoint of both the grower and the industry; and what are some of the problems that arise in putting these possibilities into practice.

Of course just about every previous speaker at this conference, as well at earlier meetings, has pointed to many of these factors, often in considerable depth. However, a pulling-together, or review of them may be useful.

To consider the possibilities or benefits that can be developed through the use of this form of marketing organization first requires a base or specific situation on which to build. It seems reasonable that the competitive situation, or market structure, in which growers of fruits and vegetables for processing must operate, provides such a base. For it is the structure of the market -- the anatomy of the market, if you will -- and the conduct or behavior of the various firms and organizations in the market, that explain the growth and development of bargaining cooperatives -- and in turn suggest ways in which they can contribute to improved marketing.

Fundamental changes have taken place in food marketing. The day of the corner grocery is about over, and in its place we see the large modern supermarket geared to mass distribution and self-service of food to a rapidly expanding population. There has been a decline in the number of food stores, but an increase in the average annual volume per store.

There is also an increasing concentration of large stores -- both chains and independents. In 1956, supermarkets -- those doing over \$375,000 a year -- accounted for 9 percent of the stores in the country, but had over 62 percent of total sales, and in 1940, their share of total sales was about 25 percent.

The recently released Federal Trade Commission's "Economic Inquiry into Food Marketing" states this trend another way. Chains with 11 or more stores accounted for 29 percent of total food store sales in 1948, but in 1958 they were doing 37 percent of total sales.

Along with this decrease in number and increase in size of retail store has come an integration of marketing functions. The wholesaling function has largely been integrated with retailing -- either by retailers purchasing wholesale facilities, forming cooperative wholesaling groups, or making contract with private wholesaling firms.

This integrating process has now entered the next step in the marketing channels with retailers and processors vying for control over this phase of integration. An aspect of this is in the processors' attempt to maintain contact with the consumer through promotion of national brands, while large-scale retailers see advantages in pushing their own private brands.

These changes at the retail level have also led to expansion and merger in the processing sector of the economy. The value of canned fruits and vegetables rose from \$1.6 billion in 1947 to \$2.2 billion in 1954. During the same 7-year period the number of canning companies declined from 1,856 to 1,461. The 20 largest canners in the industry accounted for 46 percent of the total business in 1947 and 52 percent in 1954.

What are the effect of these trends toward large-scale operations and vertical integration on the producers of the raw products? Before considering this question, let us first look at the market behavior of these large-scale marketing firms as shown by their procurement policies.

In order to meet the needs of mass distribution, retailers need an assured supply of products, and these products must meet certain specifications as to quality and appearance. Because of the complexity and uncertainty of using price -- often it is an estimate of a future price at time of harvest -- as a device for integrating supplies with demand, retailers have turned to the integration of the various marketing functions -- either by acquiring wholesaling and processing facilities, or through the use of contracts.

Processing firms, too, need to assure themselves of an adequate supply and flow of raw products for efficient and low-cost operation of their plants. Thus, contracts have been long used by processors as a coordinating device to integrate or guide the flow of commodities between the production and processing stages of the food industry.

Thus, procuring supplies through the use of contracts has developed as a means of integrating various stages of food marketing from the retailer to the wholesaler, to the processor, and finally to the producer. And it is in this use of contracts that the chain of events involved in the integration of food marketing is currently having a major influence on producers.

The grower-processor contracts also serve as a pricing mechanism. Thus the price and other terms of sale contained in them are of major importance to growers' returns. The contract price is determined by negotiations between the buyer (processor) and the seller (grower), with the

competitive position -- or bargaining strength -- of each influencing the level at which price is set. In an industry with characteristics such as those just described -- few buyers and many sellers, perishable crops with short marketing season, and lack of information on price -- the market is essentially local in nature and the seller is usually at a competitive disadvantage. This is in contrast to the market situation for other commodities such as wheat, cotton, or corn which are sold in national, or even worldwide, markets.

Their relatively weak competitive situation has caused many processing crop growers to seek methods for strengthening their bargaining position. Where other alternatives -- such as production of other crops, formation of a processing cooperative, or Government programs -- do not seem feasible, many growers have turned to cooperatives of the bargaining type.

Now, in view of an imperfectly competitive market situation such as just described, what are the possibilities for a bargaining cooperative to aid growers and, more broadly, contribute to improved marketing?

1. The first possibility is that the formation and operation of a bargaining association can introduce a countervailing power that can help the grower retain control over major decisions in marketing, and at the same time help to more accurately reflect the forces of supply and demand needed to establish an economic price for the raw product produced by the growers. Through the formation of a bargaining association, individual growers voluntarily join together and by signing membership agreements agree to market their crops jointly. Thus, by horizontally integrating their marketing functions, the number of sellers in the market is reduced. Price determination is then a matter of negotiation between one or a few sellers and one or a few buyers.

While there is a range within which price must be negotiated, the actual level of the price will depend on the relative bargaining strength of both the buyer and the seller. Where a bargaining association has sufficient tonnage signed up and adequate marketing and economic information, the bargaining strength of the seller -- an association -- and the buyer -- a processor -- are more nearly equal.

In an imperfectly competitive situation this equalization of bargaining power can be reflected not only in better grower prices, but also in other contract terms which directly or indirectly affect growers' net returns. Then to the extent the negotiations add to the stability of prices over time, both growers and processors benefit.

2. A second way bargaining cooperatives can contribute to improved marketing is through the collection and analysis of economic and marketing information. With both growers and processors seeking out such data, possibilities are increased for the establishment of a realistic price.

3. Related to this area of information is the possibility that growers, as they examine and use economic data in their negotiations, will increase their understanding of the economic and marketing aspects of their industry and will become more aware of market trend and demand for their crops, as well as of processing and marketing costs. Or, if we broaden the point further and include the processors' collection and analysis of market data, a better understanding of each other's problems can result.
4. A fourth contribution to improved marketing relates directly to some of the characteristics of the market structure mentioned earlier, that is, the need of buyers in today's mass distribution system for a large, assured volume of products with specific characteristics. The operation of a bargaining association, with its consolidation of the tonnage of many relatively small firms, as well as its member education program as to quality, varieties, and cultural practices, can provide an efficient means for meeting these specification needs of large-scale processors.
5. The joint efforts of a processor and an organized grower group, such as a bargaining cooperative, often provide the most effective means for quality improvement, commodity promotion and market expansion, as well as disease and pest control and improvement of cultural practices -- all of which benefit the whole industry.
6. Finally, with a bargaining association handling the marketing of their crop, growers can jointly have the services of marketing specialists while they can concentrate on the efficiency of their production. Production continues to get more complex and specialized, and through the colleges as well as through equipment and farm supply companies, growers have access to all sorts of technical and specialized production information. In marketing his crop, however, the grower often does not have the technical information needed. But through joint action in a bargaining association he can supply himself with the services of marketing specialists.

Of course, this listing of possibilities does not imply that bargaining cooperatives are the answer to all market situations. In some cases, joint action of growers in the direction of vertical integration, such as cooperative processing, seems more feasible. Certainly market orders and agreements, joint promotional activities, as well as other types of cooperative organizations have their place in the marketing of food products. But the need for countervailing power at the grower level can often best be built on the horizontal integration of many farm firms through the formation of bargaining associations. In some cases the bargaining association may provide the foundation essential for success of a processing or other type cooperative.

While the formation and operation of a bargaining cooperative suggests some possibilities for improving the growers' position as well as

contributing to increased efficiency in marketing, there are of course problems that arise in trying to bring these possibilities into reality. Rather than an attempt to provide answers, the following is more a listing of problems that must be recognized and faced by growers both in organizing and in operating a bargaining cooperative.

1. One of the basic problems, of course, is getting enough tonnage signed up so that the association can effectively negotiate. Related problems includes determining what proportion of the total tonnage is needed for effective operation, and evaluating the importance of tonnage in the hands of non-members, tonnage produced by the processor, and tonnage of processing cooperatives. Of course, in years of heavy or overproduction, this problem becomes intense.
2. Another problem relates to economic and marketing information. Our first speaker today has given many valuable guides here, but carrying them out involves problems of attitudes and education of directors and members; obtaining personnel qualified in this area; and setting up procedures within and among associations for the collection analyses and dissemination of essential data.
3. Related to these first two factors -- tonnage and information -- is the problem of how to most effectively make use of the bargaining strength that lies in the combined tonnage of the members and in the information available on market conditions. In other words, in given situations what strategies and bargaining techniques would be most fruitful in the negotiating procedures?
4. Two other problems are management and membership. For effective operation, a bargaining association needs a manager with a variety of specialized skills. With the continuing growth in number of bargaining associations it would appear that demand for managers is increasing. Supplying this demand can be a problem. Maintaining an informed and loyal membership is a continuing problem. Continual effort is needed to develop and use techniques for maintaining and improving a two-way flow of information between the membership and management.

Other problems could be mentioned, but I will close with one more -- one which is probably more different than any of the others.

This is the problem of people, that is, developing and maintaining satisfactory relationships among the many groups involved -- members, management, processors, non-members, members and management of processing and other cooperatives, and other general farm organizations, to mention a few. If we can solve this problem of human relationships, many of the above problems disappear and many of the possibilities can become reality.

MINUTES OF THE MEETING HELD IN ATLANTA, GA., AFTER THE CLOSE OF THE FORMAL MEETING OF THE FOURTH NATIONAL CONFERENCE ON FRUIT AND VEGETABLE BARGAINING COOPERATIVES.

After the close of the formal meeting of the Fourth National Conference on Fruit and Vegetable Bargaining Cooperatives, Dr. Joseph G. Knapp of the Farmer Cooperative Service, U.S. Department of Agriculture, asked Mr. Ralph Bunje of the California Canning Peach Association, if he would lead the group in a discussion of their plans for the future.

Mr. Bunje then asked Mr. Telford of the California Freestone Peach Association if he would keep the minutes of this meeting.

Mr. Bunje stated that the first order of business should be a resolution of appreciation to Dr. Knapp and the Farmer Cooperative Service for their work in putting on this fourth annual meeting of the bargaining associations.

Upon motion duly moved, seconded, and unanimously carried the Secretary was instructed to prepare such a resolution.

It is hereby resolved that the bargaining association assembled here in Atlanta, Ga., do hereby express their appreciation to Dr. Knapp and his staff of the Farmer Cooperative Service, for the planning and conducting of an outstanding program for the Fourth National Conference on Fruit and Vegetable Bargaining Cooperatives.

Mr. Bunje then asked for comments from the group regarding future meetings of this kind. There were many comments from the floor urging that we continue to have this annual meeting. Also, the feeling was expressed that there was a need for area meetings. Mr. Bunje urged the people present to take the lead in calling these area meetings. He then outlined the practice that is carried on by the Pacific Coast bargaining associations. This group holds an annual meeting either in San Francisco, or in the Northwest for the purpose of discussing their mutual problems.

A motion was duly made, seconded, and unanimously carried that the Farmer Cooperative Service be asked to arrange the fifth annual meeting of the national bargaining associations, in conjunction with the annual meeting of the National Council of Farmer Cooperatives to be held in New Orleans in January 1961.

Mr. Berkeley Freeman of Great Lakes Cherry Producers Marketing Cooperative, asked if we should not consider the formation of a national association of bargaining associations. Mr. Bunje brought up the point that as we had heard in our formal program that the American Farm Bureau Federation was in the process of forming a section for bargaining associations and that perhaps we should wait and see just what kind of

an organization it developed before we proceeded with another association. After considerable discussion from the floor, the group decided not to form a national association at this time.

Mr. Bunje asked the representatives from the American Farm Bureau to carry the feeling of the group to the American Farm Bureau Board of Directors.

There being no further business to come before the group, the meeting was adjourned.

Respectfully submitted,

Charles J. Telford, Acting Secretary

LIST OF FRUIT AND VEGETABLE BARGAINING COOPERATIVES
(as of January 1, 1960)

Fruit Bargaining Cooperatives

1. California Canning Peach Association
Ralph B. Bunje, Manager
World Trade Center, Ferry Bldg.
San Francisco 11, Calif.
2. California Canning Pear Association
Cameron Girton, Manager
64 Pine Street
San Francisco 11, Calif.
3. California Freestone Peach Association
Charles J. Telford, Manager
422 Fifteenth Street
Modesto, Calif.
4. California Processing Apple Growers Association
Neil K. Holbrook, Manager
25 California Street
San Francisco 11, Calif.
5. Corning Olive Growers Marketing Association
William G. Shultes, President
P. O. Box 75
Corning, Calif.
6. Eastern Fruit Marketers Cooperative
J. Kenneth Robinson, President
Box 668
Winchester, Va.
7. Great Lakes Cherry Producers Marketing Cooperative
Berkley I. Freeman, Manager
345 State St., S. E.
Grand Rapids 3, Mich.
8. Idaho Processing Apple Growers
James Patrick
Emmett, Ida.
9. Independent Olive Growers of California
Ed Olson, Jr., Secretary-Manager
1121 N. Main
Porterville, Calif.

10. Independent Red Raspberry Growers of Washington
Hedwig Bisig, President
Rt. 12, Box 268
Tacoma, Wash.
11. Kadota Growers, Inc.
V. E. Scott, Manager
P. O. Box 26
Planada, Calif.
12. Maryland Fruit Marketers Cooperative
R. Sam Dillon, Jr.
Hancock, Md.
13. Michigan Processing Apple Marketing Association
John J. Timpson, President
201 1/2 East Grand River Ave.
East Lansing, Mich.
14. New York State Grape Growers Cooperative
Howard C. Green, President
Farm and Home Center
Penn Yan, N. Y.
15. Northwest Berry Association
M. F. Edwards, Manager
1137 S. E. Union
Portland, Oregon
16. Pacific Northwest Cherry Growers Association
Ralph Kirby, President
11 South Seventh Street
Yakima, Wash.
17. Pacific States Canning Pear Marketing Association
Vernon Stockwell, President
Wenatchee, Wash.
18. Pennsylvania Fruit Marketing Cooperative
William A. Lott, President
Gardners, Penna.
19. Puyallup Valley Berry Growers Association
Charles W. Clark, Secretary-Manager
602 Todd Road
North Puyallup, Wash.
20. Skykomish Valley Berry Growers Association
Startup, Wash.

21. Tri-County Grape Growers Association
Walter L. Green, III
Route 1
North Madison, Ohio
22. Virginia Fruit Marketers Cooperative
J. Kenneth Robinson, President
Winchester, Va.
23. Washington Freestone Peach Association
A. J. Anderson, Manager
P. O. Box 2056
Yakima, Wash.
24. Washington-Oregon Canning Pear Association
Clay Whybark, Manager
202 Holtzinger Building
Yakima, Wash.
25. Western New York Apple Growers Association
Fred P. Corey, Executive Secretary
272 Alexander Street
Rochester, N. Y.
26. West Virginia Fruit Marketers Cooperative
Douglas Miller, President
Martinsburg, W. Va.

Vegetable Bargaining Cooperatives

1. California Tomato Growers Association
Alan C. Jensen, Manager
145 South American Street
Stockton, Calif.
2. Cannery Growers, Inc.
A. W. Matthews, Secretary-Manager
Box 46,
Maumee, Ohio
3. Cash Crops Cooperative
282 Forest Avenue
Fond du Lac, Wis.
4. Idaho Potato Bargaining Association
Orel Tish
Caldwell, Ida.

5. Iowa-Illinois Cannery Growers' Cooperative
Herbert Ovesen, President
Wilton Junction, Iowa
6. Keystone Vegetable Growers Association
Newton M. Comly
Wycombe, Penna.
7. Mesa County Tomato Growers
Herman Beard, President
Fruita, Colo.
8. Michigan Asparagus Growers Cooperative Association
J. Ward Cooper, Secretary
4000 North Grand River, Box 960
Lansing 4, Mich.
9. New Jersey Sweet Potato Committee
(composed of representatives of six New Jersey marketing
cooperatives)
Southern, N. J.
10. New Jersey Vegetable Growers Cooperative Association
F. Rene Gossiaux, Jr., Manager
168 West State Street
Trenton, N. J.
11. New York Canning Crop Growers Cooperative
William Stempfle, Manager
Box 290
Batavia, N. Y.
12. Northwest Washington Farm Crops Association
Ray Schink, Executive Secretary
621 West Division
Mount Vernon, Wash.
13. Oregon-Washington Pea Growers Association
Don Webber, President
Athena, Oreg.
14. Shiocton Bargaining Cooperative
Marvin Knoke, President
Shiocton, Wis.
15. Utah State Canning Crops Association
A. W. Chambers, Secretary-Manager
173 South Main Street
Logan, Utah

16. Vegetable Committee of the Delaware Farm Bureau
C. Fred Fifer, Chairman
Wyoming, Del.
17. Washington Asparagus Growers Association
Gene R. Coe, Manager
318 S. Seventh Street
Sunnyside, Wash.
18. Washington Pea Growers Association
Fred Petersen, Manager
Box 615
Walla Walla, Wash.

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